

TOWN OF SPRINGFIELD, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

**TOWN OF SPRINGFIELD
LIVINGSTON PARISH, LOUISIANA
P. O. BOX 352
SPRINGFIELD, LA 70462-0352
(225) 294-3150**

MAYOR

Charles Martin

ALDERMEN

Tommy Abels

Mary Ann Bissel

Mildred Cowsar

Marsha Sherburne

Johnny Vicknair

[Term of Mayor & Council is from July 1, 2009 to June 30, 2013]

LEGAL COUNSEL

Brian Abels

TOWN CLERK

Marie Kreutzer

CHIEF OF POLICE

James Jones, AP

MEETING DATE

3rd Wednesday of Every Month
6:30 PM - Town Hall

**TOWN OF SPRINGFIELD, LOUISIANA
FOR THE YEAR ENDED JUNE 30, 2012
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Latuso and Johnson CPA, LLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

**The Honorable Charles Martin, Mayor
and Members of the Board of Aldermen
Town of Springfield, Louisiana**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Springfield, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Springfield, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Springfield, Louisiana, as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of the Town of Springfield, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 3 through 8 and budgetary comparison information on page 30 be presented to supplement the basic financial statements. Such

information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Springfield, Louisiana's basic financial statements. The Other Supplemental Information Required by USDA is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplemental Information Required by USDA is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 21, 2012

Latuso & Johnson CPA LLC

**TOWN OF SPRINGFIELD, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the Town of Springfield, Louisiana's (Town) annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

INTRODUCTION

This annual report consists of:

- 1) The independent auditors' report on the financial statements in which they rendered an unqualified opinion.
- 2) Management's discussion and analysis which provides in plain language an overview of our financial activities for the year.
- 3) The basic financial statements which consist of government-wide financial statements, governmental fund financial statements, and the notes to those financial statements.
- 4) The comparison of actual operations for the year compared to the budget.
- 5) The independent auditors' report on the Town's compliance with laws and regulations and how management applied internal controls over its financial operations.

Financial Highlights

- 1) The Town's assets exceeded its liabilities by \$1,344,700 (net assets) for the fiscal year reported.
- 2) Total expenditures of \$700,124 exceeded total revenues of \$564,934, which resulted in a current year decrease in net assets of \$135,190, which includes depreciation expense of \$123,791.
- 3) Total combined net assets are comprised of the following:
 - (a) Capital assets, net of related debt, of \$1,144,176 which includes property and equipment, net of accumulated depreciation
 - (b) Unrestricted net assets of \$200,524
- 4) The Town's general fund reported an unassigned fund balance at June 30, 2012 of \$191,502.
- 5) The Town's total bonded debt decreased by \$19,993 during the year.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Basic Financial Statements

This Management's Discussion and Analysis document introduces the Town's basic financial statements. The Town's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) other required supplementary information in addition to the basic financial statements themselves.

**TOWN OF SPRINGFIELD, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Government-Wide Financial Statements

The *Government-Wide Financial Statements*, presented on pages 10 and 11, are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town's *net assets* changed during the most recent fiscal year. All changes in *net assets* are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Town's *Government-wide Financial Statements* distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, streets and drainage, public improvements, health and social services, and culture and recreation. The Town's sole business-type activity is sewer collection and disposal.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has two funds which are categorized as governmental and proprietary funds.

Governmental Funds. Governmental funds, presented on pages 12 and 13, are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual appropriated budget. A budgetary comparison schedule has been provided for the Town's operations to demonstrate compliance with this budget.

**TOWN OF SPRINGFIELD, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Proprietary Fund The proprietary fund accounts for sewer services for the Town. Proprietary funds are used to account for the same functions as business-type activities presented in the government-wide financial statements, but the fund presentation provides more detail. The proprietary fund financial statements can be found on pages 14 thru 16 of this report.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Whereas the Total column on the Proprietary Fund Financial Statements is the same as the Business-Type column in the Government-wide Financial Statements, the Governmental Fund Financial Statements require a reconciliation to the Governmental-Type column of the Government-wide Financial Statements.

Notes to the Financial Statements

The notes, presented on pages 17 thru 28, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budgetary control, on page 30. The financial statements also include supplementary information required by USDA on pages 31 and 32.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position. At the end of the most recent year, the assets of the Town exceeded its liabilities by \$1,344,700, which represents a decrease of \$135,190 from the previous year. The decrease is mainly due to a decrease in fine revenue and the recognition of a sales tax refund.

**TOWN OF SPRINGFIELD, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The following schedule provides a summary of the Town's net assets:

Summary of Net Assets (Government Wide)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Current and other assets	\$ 240,460	\$ 252,488	(4.76)%
Noncurrent assets	2,592,094	2,676,811	(3.16)%
Total assets	<u>2,832,554</u>	<u>2,929,299</u>	<u>(3.30)%</u>
Current and other liabilities	27,367	26,077	4.95%
Noncurrent liabilities	1,460,487	1,423,332	2.61%
Total liabilities	<u>1,487,854</u>	<u>1,449,409</u>	<u>2.65%</u>
Net assets -			
Invested in capital assets	1,144,176	1,213,561	(5.72)%
Unrestricted	200,524	266,329	(24.71)%
Total net assets	<u>\$ 1,344,700</u>	<u>\$ 1,479,890</u>	<u>(9.14)%</u>

The following schedule provides a summary of the Town's changes in net assets:

Summary of Changes in Net Assets (Government Wide)

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Revenues:			
Sales taxes	\$ 356,219	\$ 343,461	3.71%
Charges for services	149,205	179,789	(17.01)%
Grants	65,600	22,917	186.25%
Franchise fees	29,454	32,455	(9.25)%
Interest earned and other revenues	13,707	11,700	17.15%
Intergovernmental	7,897	9,730	(18.84)%
Sales tax refund	(57,148)	-	-
Total revenues	<u>564,934</u>	<u>600,052</u>	<u>(5.85)%</u>
Expenses:			
General government	137,923	129,179	6.77%
Police protection	218,687	240,546	(9.09)%
Streets	60,982	52,112	17.02%
Sanitation	57,850	56,677	2.07%
Cemetery	10,808	6,056	78.47%
Sewer system	213,874	225,248	(5.05)%
Total expenses	<u>700,124</u>	<u>709,818</u>	<u>(1.37)%</u>
Change in net assets	<u>\$ (135,190)</u>	<u>\$ (109,766)</u>	<u>23.16%</u>

**TOWN OF SPRINGFIELD, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Fund Financial Analysis

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. Governmental funds reported an ending unassigned fund balance of \$191,502.

The Town primarily relies on sales taxes to support its governmental activities which represent 60.4% of the Town's total revenues.

The Town's programs include general government, police protection, streets, and sanitation. General government and police protection represents 69.8% of the Town's governmental activity expenses.

Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. A budgetary comparison statement is required and can be found on page 30. This statement compares the original adopted budget, the final budget if amended throughout the year, and the actual expenditures prepared on a budgetary basis. The budget was amended once during the year.

Budgeted revenues of \$446,200 exceeded actual revenues of \$442,527 by \$3,673 while budgeted expenditures of \$473,000 exceeded actual expenditures of \$457,379 by \$15,621.

Capital Assets

The Town's investment in capital assets, net of accumulated depreciation as of June 30, 2012, was \$247,446 for governmental activities and \$2,300,069 for business-type activities. There was an overall decrease of approximately \$28,871 in capital assets used for governmental activities and \$60,507 in capital assets used for business-type activities.

Long-Term Debt

The Town of Springfield has a very simple debt structure. There is no debt for governmental activities. The only debt for business-type activities is the revenue bonds that were issued to the United States Department of Agriculture – Rural Utility Services to construct the sewer system.

**TOWN OF SPRINGFIELD, LOUISIANA
REQUIRED SUPPLEMENTAL INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Economic Factors and Next Year's Budgets and Rates

Revenues from sales taxes, franchise taxes, licenses and permits, and shared revenues decreased from 2011 to 2012 which indicates a down-turn in the economic growth for the area.

Various economic factors are affecting not only the revenues of the Town, but also the rising costs to provide services to an increasing residential and business community.

The business-type activities showed a loss before transfer from General Fund of \$48,606 as compared to a loss of \$69,320 for the prior year. The Town will monitor rates to ensure enough working capital to make improvements to the utilities systems and replace equipment and at the same time make it affordable for its citizens to live in this community, as reflected by the tabulation of utility sales and rates.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marie Kreutzer, Town Clerk at (225) 294-3150.

TOWN OF SPRINGFIELD, LOUISIANA BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements
- Governmental funds
- Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TOWN OF SPRINGFIELD, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 128,399	\$ 808	\$ 129,207
Accounts receivable (net)	-	8,367	8,367
Receivable from other governments	77,317	15,967	93,284
Due from other funds	649	-	649
Prepaid expenses	6,116	2,837	8,953
Noncurrent assets:			
Restricted assets - cash	-	25,158	25,158
Capital assets (net)	247,446	2,300,069	2,547,515
Loan issue costs, unamortized	-	19,421	19,421
Total Assets	<u>\$ 459,927</u>	<u>\$ 2,372,627</u>	<u>\$ 2,832,554</u>
LIABILITIES			
Accounts payable	\$ 15,327	\$ 2,769	\$ 18,096
Accrued payroll liabilities	5,652	-	5,652
Accrued interest payable	-	2,970	2,970
Due to other funds	-	649	649
Noncurrent liabilities:			
Due within one year -			
Due to other governments	9,525	3,175	12,700
Revenue bonds payable	-	21,035	21,035
Due in more than one year -			
Due to other governments	33,336	11,112	44,448
Revenue bonds payable	-	1,382,304	1,382,304
Total Liabilities	<u>63,840</u>	<u>1,424,014</u>	<u>1,487,854</u>
NET ASSETS			
Invested in capital assets, net of related debt	247,446	896,730	1,144,176
Unrestricted - undesignated	148,641	51,883	200,524
Total Net Assets	<u>\$ 396,087</u>	<u>\$ 948,613</u>	<u>\$ 1,344,700</u>

See accompanying notes to the basic financial statements.

**TOWN OF SPRINGFIELD, LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)/ Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Governmental activities:					
General government	\$ 137,923	\$ 39,042	\$ -	\$ -	\$ (98,881)
Police	218,687	42,372	21,300	-	(155,015)
Streets and drainage	60,982	-	-	20,000	(40,982)
Sanitation	57,850	-	-	-	(57,850)
Cemetery	10,808	1,600	-	-	(9,208)
Total governmental activities	<u>486,250</u>	<u>83,014</u>	<u>21,300</u>	<u>20,000</u>	<u>(361,936)</u>
Business-type activities:					
Sewer	213,874	66,191	-	24,300	(123,383)
Total business-type activities	<u>213,874</u>	<u>66,191</u>	<u>-</u>	<u>24,300</u>	<u>(123,383)</u>
Total	<u><u>\$ 700,124</u></u>	<u><u>\$149,205</u></u>	<u><u>\$ 21,300</u></u>	<u><u>\$ 44,300</u></u>	<u><u>\$ (485,319)</u></u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net expenses less program revenues:	\$ (361,936)	\$ (123,383)	\$ (485,319)
General revenues:			
Sales and use taxes	267,164	89,055	356,219
Franchise fees	29,454	-	29,454
Intergovernmental	7,897	-	7,897
Investment income	793	9	802
Miscellaneous	12,905	-	12,905
Transfers between funds	(3,213)	3,213	-
Special item:			
Sales tax refund	(42,861)	(14,287)	(57,148)
Total general revenues, transfers and special item	<u>272,139</u>	<u>77,990</u>	<u>350,129</u>
Change in net assets	(89,797)	(45,393)	(135,190)
Net assets – beginning	485,884	994,006	1,479,890
Net Assets - Ending	<u><u>\$ 396,087</u></u>	<u><u>\$ 948,613</u></u>	<u><u>\$ 1,344,700</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF SPRINGFIELD, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
JUNE 30, 2012**

ASSETS

Cash	\$ 128,399
Receivables -	
Franchise taxes	7,212
Due from other agencies -	
Beer taxes	2,203
Sales taxes	47,902
Capital grants	20,000
Due from public utility fund	649
Prepaid expenses	6,116
Total Assets	<u>212,481</u>

LIABILITIES

Accounts payable	15,327
Accrued payroll liabilities	5,652
Total Liabilities	<u>20,979</u>

FUND BALANCES

Unassigned	191,502
Total Fund Balances	<u>191,502</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$231,648	247,446
The tax refund payable is not due and payable in the current period and accordingly is not reported as a fund liability	<u>(42,861)</u>
Net Assets of Governmental Activities	<u><u>\$ 396,087</u></u>

See accompanying notes to the basic financial statements.

TOWN OF SPRINGFIELD, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND - GENERAL FUND
YEAR ENDED JUNE 30, 2012

REVENUES

Taxes	\$ 296,618
Intergovernmental	49,197
Fines and forfeitures	42,372
Licenses and permits	34,491
Miscellaneous	12,905
Charges for services	4,551
Cemetery income	1,600
Interest earned	793
Total Revenues	<u>442,527</u>

EXPENDITURES

Current:

General government	130,234
Police	188,901
Streets and drainage	46,697
Sanitation	57,850
Cemetery	10,808

Capital outlays:

Streets and drainage	22,889
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Total Expenditures

457,379

Excess Expenditures over Revenues

(14,852)

Transfer to Sewer System

(3,213)

Net Change in Fund Balance

(18,065)

Fund Balances - Beginning

209,567

Fund Balances - Ending

\$ 191,502

Reconciliation of the change in fund balances – total governmental funds to the change in net assets of governmental activities:

Net change in fund balances – total governmental funds \$ (18,065)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital asset purchases capitalized	22,889
Loss on disposal of capital assets	(7,977)
Depreciation expense	(43,783)
Tax refund not due in current period	(42,861)
Change in Net Assets of Governmental Activities	<u><u>\$ (89,797)</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF SPRINGFIELD, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND - SEWER SYSTEM
JUNE 30, 2012**

ASSETS

Current Assets:

Cash	\$ 808
Receivables - sales taxes	15,967
Receivables - utility customers	8,367
Prepaid expenses	2,837
Total Current Assets	<u>27,979</u>

Noncurrent Assets:

Restricted assets - cash in debt service accounts	25,158
Capital assets (net)	2,300,069
Loan issue costs, unamortized (net)	19,421
Total Noncurrent Assets	<u>2,344,648</u>

Total Assets **\$ 2,372,627**

LIABILITIES

Current Liabilities:

Accounts payable	\$2,769
Accrued interest payable	2,970
Due to other governments	3,175
Current portion revenue bonds payable	21,035
Due to other fund	649
Total Current Liabilities	<u>30,598</u>

Noncurrent Liabilities:

Due to other governments	11,112
Revenue bonds payable	1,382,304
Total Current Liabilities Payable from Restricted Assets	<u>1,393,416</u>

Total Liabilities **\$ 1,424,014**

NET ASSETS

Invested in capital assets, net of related debt	\$ 896,730
Unrestricted	<u>51,883</u>

Total Net Assets **\$ 948,613**

See accompanying notes to the basic financial statements.

TOWN OF SPRINGFIELD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - SEWER SYSTEM
YEAR ENDED JUNE 30, 2012

Operating Revenues

Charges for services	\$ 66,191
Total Operating Revenues	<u>66,191</u>

Operating Expenses

Depreciation and amortization	80,617
Salaries and benefits	32,683
Utilities	20,854
Repairs and maintenance	6,872
Insurance	4,743
Bad debts	3,676
Engineering services	1,589
Administrative	2,029
Total Operating Expenses	<u>153,063</u>

Net Operating Loss	<u>(86,872)</u>
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Nonoperating Revenue (Expense)

Sales taxes	89,054
Capital grants from the State of Louisiana	24,300
Interest earned	9
Sales tax refund	(14,287)
Interest expense	(60,810)
Net Nonoperating Revenue	<u>38,266</u>

Net Loss before Operating Transfers	(48,606)
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Other Financing Sources

Operating transfers in	3,213
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Net Loss after Operating Transfers	<u>(45,393)</u>
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Net Assets - Beginning	994,006
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Net Assets - Ending	<u><u>\$ 948,613</u></u>
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See accompanying notes to the basic financial statements.

**TOWN OF SPRINGFIELD, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER SYSTEM
YEAR ENDED JUNE 30, 2012**

Cash Flows from Operating Activities

Receipts from customers	\$ 62,066
Payments to suppliers	(41,805)
Payments to employees and benefits	(32,683)
Cash Flows Used by Operating Activities	<u>(12,422)</u>

Cash Flows from Non-Capital Financing Activities

Sales tax receipts	88,615
State grants	24,300
Transfers from General Fund for operations	3,001
Cash Flows Provided by Non-Capital Financing Activities	<u>115,916</u>

Cash Flows from Capital and Related Financing Activities

Purchase of property, plant and equipment	(19,501)
Principal paid on long term debt	(19,993)
Interest paid on long term debt	(60,850)
Cash Flows Used by Capital and Related Financing Activities	<u>(100,344)</u>

Cash Flows from Investing Activities

Interest earned	9
Cash Flows Provided by Investing Activities	<u>9</u>

Net Increase in Cash and Cash Equivalents

Balances - Beginning of Year	22,807
Balances - End of Year	<u><u>\$ 25,966</u></u>

Reconciliation of Net Operating Loss to Net Cash

Used by Operating Activities

Net operating loss	\$ (86,872)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation and amortization	80,617
Change in assets and liabilities:	
Increase in receivables	(449)
Increase in prepaid expenses	(2,837)
Decrease in accounts payable	(2,881)
Net Cash Used by Operating Activities	<u><u>\$ (12,422)</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Springfield, Louisiana (the "Town") was incorporated in 1838, under a special charter. The Town operates under a Mayor-Board of Aldermen form of government and, as authorized by its charter, provides police protection; streets and drainage maintenance; public improvements; health and social services; culture-recreation; planning and zoning; sewer collection and disposal; and general administration. The Mayor and five Council Members are elected at large to serve four year terms from July 1, 2009 to June 30, 2013. The Mayor is entitled to a per diem of \$650 per month and each Council Member \$150 for each meeting attended. The Town of Springfield is located in Livingston Parish with a geographic area of approximately 1.4 square miles. The estimated population is 487. The Town employs 4 full-time employees. The Town serves 139 sewer customers.

As the municipal governing authority, for reporting purposes, the Town of Springfield is considered a separate financial reporting entity. The financial reporting entity consists of [a] the primary government (municipality), [b] organizations for which the primary government is financially accountable, and [c] other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Springfield for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

- Appointing a voting majority of an organization's governing body, and
- The ability of the municipality to impose its will on that organization and/or
- The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
- Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, since the Town has no component units, these financial statements present the primary government of the Town of Springfield.

Basis of Presentation

The accompanying financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Measurement Focus and Basis of Accounting

Fund Accounting

The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Town are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for all or most of the Town's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

Governmental funds include:

General Fund—the general operating fund of the Town accounts for all financial resources, except those required to be accounted for in other funds.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Sewer System -- accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Basis of Accounting - Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the Town as a whole. These statements include all the financial activities of the Town.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of the functions of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the Town, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Basis of Accounting - Fund Financial Statements

Governmental Fund

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus—modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Consequently, the Town recognizes revenues as follows:

- Sales and use tax revenues are recorded in the month they are received by the centralized parish sales tax collector.
- Federal and state grants and reimbursements are recorded when the Town is entitled to the funds. Where grant revenue is dependent upon expenditures by the Town, revenue is recognized when the related expenditures are incurred.
- Fines, forfeitures, and court costs are recorded in the year they are received by the Town or parish tax collector.
- Fees, charges and commissions are recognized as revenue in the month in which they are earned and billed.
- Substantially all other revenues are recorded when received by the Town.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary Fund

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

Budgets

The Town prepares a budget at the beginning of each year based upon prior year expenditures and anticipated revenues for the budget year. The proposed budget is prepared on a modified accrual basis of accounting and is made available for public inspection no later than 15 days prior to the beginning of the budgeted year. The budget was formally adopted on July 20, 2011 and amended on January 18, 2012 and July 18, 2012. All appropriations lapse at year end.

Formal budget integration (within the accounting system) is not employed as a management control device. During the fiscal year, actual revenues and expenditures are compared to budgeted revenues and expenditures by the Mayor and Aldermen. If actual revenues are falling short of budgeted revenues by 5% or more or if actual expenditures to date plus projected expenditures for the remainder of the year exceed the budgeted expenditures by 5% or more, the original budget is amended by the Mayor and Board of Aldermen. Budgeted amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments. The Mayor and Board of Aldermen are responsible for adopting and amending the budget.

Cash, Cash Equivalents, and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

State statutes authorize the Town of Springfield, Louisiana to invest in United States bonds, treasury notes and bills, or certificates of time deposits in state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

For the Statement of Cash Flows for the proprietary fund, cash and cash equivalents equal unrestricted cash of \$808 and restricted cash of \$25,158.

TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accounts Receivable and Bad Debts

Accounts receivable for the sewer system consist of monthly fees billed to users of the system. When an account becomes more than 30 days old an allowance for bad debt is established for a portion of the balance of the account. At June 30, 2012, the allowance for bad debt is \$17,523.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered and temporary loans. These short-term interfund loans are classified as interfund receivables/payables and classified as due from or due to other funds on the balance sheet.

Inventories

Inventories for supplies are immaterial and are recorded as expenditures when purchased.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Town) are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for proprietary funds. As of June 30, 2012, no interest has been capitalized on projects.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 - 40 Years
Sewer System	10 - 40 Years
Tractors and Equipment	5 - 10 Years
Furniture and Office Equipment	5 - 20 Years
Vehicles	5 - 7 Years
Streets and Drainage	20 - 50 Years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Compensated Absences

Employees of the Town earn from 5 to 23 days of vacation leave each year, depending on length of service. Vacation leave must be used in the year earned. There is no formal policy on sick leave. Sick leave is approved by the Town based on need. There are no accumulated and vested benefits relating to vacation or sick leave.

Fund Equity

The Town implemented the provisions of Governmental Accounting Standards Board Statement No. 54, which redefined how fund balances are presented in fund financial statements for the year ended June 30, 2012. In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. As of June 30, 2012, the Town did not have any nonspendable fund balances.

Restricted – Amounts that can be spent only for specific purposes because of the state or federal laws, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. As of June 30, 2012, the Town did not have any restricted fund balances.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Board of Aldermen. The Board is the highest level of decision-making authority for the Town. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. As of June 30, 2012, the Town did not have any committed fund balances.

Assigned – Amounts that are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. As of June 30, 2012, the Town did not have any assigned fund balances.

Unassigned – All amounts not included in other spendable classifications. Unassigned fund balances are the residual classification for the Town's General fund. As of June 30, 2012, the Town's unassigned fund balance totaled \$191,502.

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

NOTE 2 - SALES AND USE TAX

The Town has levied a total of 2% sales and use tax on sales within and delivered into the corporate limits of the municipality.

Proceeds from a 1% sales tax effective April 1, 1978, are placed in the General Fund for use by the Town.

Proceeds from a ½ % sales tax effective January 1, 1987, are to be used for garbage pickup for the residents of the Town and the remainder is to be placed in the General Fund for use by the Town.

Proceeds from a ½% sales tax effective February 24, 2005, are to be used to retire USDA debt used for the construction of sewer treatment facilities and other improvements.

NOTE 3 - CASH and CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2012:

Non-interest bearing demand deposits	\$6,197
Interest bearing demand deposits	3,617
Savings accounts	67,473
Certificates of deposit	77,078
Total	<u>\$154,365</u>

These deposits are stated at cost, which approximates market. At June 30, 2012, the Town has \$166,438 in deposits (collected bank balances) in two banks. These deposits are secured from risk by \$250,000 of federal deposit insurance in each bank on all interest bearing accounts. Non-interest bearing demand deposits are secured from risk by an unlimited amount of federal deposit insurance.

TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2012:

Governmental Activities

	<u>7/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2012</u>
Non-depreciable assets:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Depreciable assets:				
Buildings	91,866	-	-	91,866
Vehicles	111,110	-	-	111,110
Furniture and equipment	199,120	-	-	199,120
Infrastructure	52,086	22,889	7,977	66,998
Total other capital assets at historical cost	<u>454,182</u>	<u>22,889</u>	<u>7,977</u>	<u>469,094</u>
Less: Accumulated depreciation for -				
Buildings	30,544	2,843	-	33,387
Vehicles	26,302	21,858	-	48,160
Furniture and equipment	129,324	18,110	-	147,434
Infrastructure	1,695	972	-	2,667
Total accumulated depreciation	<u>187,865</u>	<u>43,783</u>	<u>-</u>	<u>231,648</u>
Total governmental activities capital assets, net	<u>\$ 276,317</u>	<u>\$ (20,894)</u>	<u>\$ 7,977</u>	<u>\$ 247,446</u>

Business-Type Activities

	<u>7/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2012</u>
Non-depreciable assets:				
Land	\$ 14,918	\$ -	\$ -	\$ 14,918
Depreciable assets:				
Sewer system	2,755,567	19,501	-	2,775,068
Equipment	41,043	-	-	41,043
Total other capital assets at historical cost	<u>2,796,610</u>	<u>19,501</u>	<u>-</u>	<u>2,816,111</u>
Less: Accumulated depreciation for -				
Sewer system	433,434	74,875	-	508,309
Equipment	17,518	5,133	-	22,651
Total accumulated depreciation	<u>450,952</u>	<u>80,008</u>	<u>-</u>	<u>530,960</u>
Total business-type activities capital assets, net	<u>\$ 2,360,576</u>	<u>\$ (60,507)</u>	<u>\$ -</u>	<u>\$ 2,300,069</u>

Depreciation expense recorded for the year ended June 30, 2012 was \$43,783 for Governmental Activities and \$80,008 for Business-Type Activities.

**TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

NOTE 5 - SOLID WASTE COLLECTION AND DISPOSAL AGREEMENT

An agreement between Waste Management of Louisiana, LLC and the Town of Springfield provides for the collection and disposal of solid wastes for residential and small commercial inhabitants of the Town. The agreement is for a three year period beginning September 1, 2010. The agreement can be extended for an additional one year term.

NOTE 6 - CENTRALIZED COLLECTION AGENCY AGREEMENT

In accordance with Paragraph (B)(1) of Section 3 of Article VII of the Constitution of the State of Louisiana, the Town participated in an agreement with all of the sales and use taxing authorities of the Parish of Livingston designating the Sales Tax Department of the Livingston Parish School Board as the single tax collection agency. The agreement authorizes the Town to compensate the collection agency 1.25% of the gross amounts collected.

NOTE 7 - FRANCHISE AGREEMENTS

The Town has granted three franchises:

Cable Television

A non-exclusive cable television franchise was granted to Charter Communications, LLC. The franchise was renewed on January 20, 2003 for a period of 15 years. The annual fee for this franchise shall be 5% of the annual gross subscriber revenues.

Electric

On October 19, 1994, the Town granted a franchise to Louisiana Power & Light Company to supply electric energy to the Town and the inhabitants thereof for a period of 25 years. In consideration, the Town shall receive a fee of 2% of the gross receipts from sales of electricity within the corporate limits of the Town from October 19, 1994 to October 18, 2019.

Natural Gas

On September 17, 2009, the Town granted a franchise to Louisiana Gas Service Company to supply natural and/or artificial gas to the Town and the inhabitants thereof for a period of 20 years. In consideration, the Town shall receive a fee of 2% of the gross receipts from sales of natural and/or artificial gas within the corporate limits of the Town from November 1, 2009 to October 31, 2029.

NOTE 8 - LA DOTD MAINTENANCE AGREEMENT

The provisions of Section 193 of Title 48 of the Louisiana Revised Statutes of 1950 requires the Louisiana Department of Transportation and Development to repair and to keep in operating condition at its sole cost and expense, all municipal roads or streets designated in LA R.S. 48:191. The Town has requested and an agreement has been executed for the work to be performed by the Town. In consideration of this agreement, LDOTD has agreed to reimburse the Town \$3,330 for the period July 1, 2011 to June 30, 2012.

**TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

NOTE 9 – TAX REFUND PAYABLE

During October 2012, the Town entered into an agreement to refund \$57,148 of sales tax provided to the Town from December 2007 to September 2011. The refund will be remitted through 36 equal payments totaling \$1,587 per month and will be withheld from the Town's monthly sales tax collections by the Livingston Parish School Board commencing November 2012.

NOTE 10 - LOUISIANA DEFERRED COMPENSATION PLAN

All of the employees of the Town of Springfield are eligible to participate in the State of Louisiana deferred compensation plan. Employees may contribute up to 25% of their salary (not to exceed \$15,000 a year) to the plan on a pre-tax basis. The contributions are withheld from the employees' paychecks. The Town does not make any matching contributions. The contributions are fully vested immediately and are remitted to a third-party administrator each payday, where they are deposited to an account in the employee's name. The Town of Springfield does not assume any liability for the funds and does not have any control over the funds once they are remitted to the third-party administrator.

NOTE 11 - LONG-TERM DEBT

On May 12, 2004, the Town sold \$1,529,000 of Sewer Revenue Bonds to the United States Department of Agriculture, Rural Utility Service (USDA). The bonds were issued for forty years with the first payment of interest only due on May 12, 2005. Monthly payments of principal and interest totaling \$6,737.02 are required to May 12, 2044. Interest accrues at a rate of 4.375% on \$500,000 of the bonds and at a rate of 4.25% on the remaining \$1,029,000 of bonds. Proceeds of the bonds were used for construction of the Town's sewer system. The bonds may be prepaid at any time without penalty. The balance of the bonds at June 30, 2012, was \$1,403,339.

The bonds are secured by and payable in principal and interest solely by a pledge of the income and revenues of the sewerage system of the Town, after payment of all reasonable and necessary expenses of operating and maintaining the system. The Town has minimum sewer rates it must charge under the bond agreement.

The following is a summary of the Town's long-term liability transactions for the year ended June 30, 2012:

Business-Type Activities	7/1/2011	Additions	Retirements	6/30/2012
Sewer Revenue Bonds	\$ 1,423,332	\$ -	\$ (19,993)	\$ 1,403,339
Less current portion	19,993	1,042	-	21,035
Total Long-Term Liabilities	<u>\$ 1,403,339</u>	<u>\$ (1,042)</u>	<u>\$ (19,993)</u>	<u>\$ 1,382,304</u>

TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The annual requirements to amortize the sewer revenue bonds as of June 30, 2012 are as follows:

Year Ending June 30:	Principal	Interest	Total
2013	21,035	59,809	80,844
2014	21,956	58,888	80,844
2015	22,917	57,927	80,844
2016	23,763	57,081	80,844
2017	24,959	55,885	80,844
2018 - 2022	142,009	262,212	404,221
2023 - 2027	175,932	228,289	404,221
2028 - 2030	217,871	186,350	404,221
2033 - 2037	270,060	134,161	404,221
2038 - 2042	334,591	69,630	404,221
2043 - 2044	148,246	6,443	154,689
Total	<u>\$ 1,403,339</u>	<u>\$ 1,176,675</u>	<u>\$ 2,580,014</u>

NOTE 12 - DEBT SERVICE REQUIREMENTS

Each month the Town will reserve into a *bond and interest sinking fund* a sum equal to one-twelfth of the interest and principal due on the next bond payment due date, and a proportionate sum as may be required as the bonds respectfully become due. Money in the sinking fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

Alternately, USDA has set up a payment schedule whereby the Town can make such payments directly to its office, thus eliminating the need for the bond and interest sinking fund.

There shall also be set aside into a *sewer revenue bond reserve fund* a sum equal to 5% of the monthly bond payment after the completion and acceptance of the system until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. This fund may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the bond and interest sinking fund as to which there would otherwise be default. At June 30, 2012, the Town has \$21,791 on deposit in the reserve fund.

The Town must also make monthly deposits to a *depreciation and contingency fund* equal to 5% of the monthly bond payment after the completion and acceptance of the system. Money in this fund will be used for making extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity, or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in the other bond funds. At June 30, 2012, the Town has \$ 3,367 on deposit in the depreciation and contingency fund.

All the revenues received in any fiscal year and not required to be paid into any of the above funds shall be regarded as surplus and may be used for any lawful corporate purpose.

TOWN OF SPRINGFIELD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13 - ON-BEHALF PAYMENTS

The Town's police force received \$18,000 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections. The Town recognizes this supplemental pay received by the employees as revenues and expenditures of the Town. The revenues are reported in the General Fund and the expenditures are included in Police Department expenditures.

NOTE 14 - CONTINGENT LIABILITIES

The Town is involved in lawsuits and claims that are either adequately covered by liability insurance or, in the opinion of legal counsel, will not result in any liability to the Town.

NOTE 15 - RISK MANAGEMENT

The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town attempts to minimize risk from significant losses through the purchase of commercial insurance. Settlement amounts have not exceeded insurance coverage for the current fiscal year.

NOTE 16 - COMPENSATION PAID TO BOARD MEMBERS

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, compensation paid to the mayor and board members is as follows:

Mayor	- Charles Martin	\$7,800
Aldermen	- John Vicknair	1,900
	- Thomas Abels	1,900
	- Mary A. Bissel	1,750
	- Mildred Cowsar	1,750
	- Marsha Sherburne	1,650
		<u>\$16,750</u>

NOTE 17 - SUBSEQUENT EVENTS

During October 2012, the Town entered into a cooperative endeavor agreement with the State of Louisiana to receive \$400,000 to fund the planning and construction of a water system for the Town.

Management of the Town has evaluated all subsequent events through December 21, 2012, the date the financial statements were available to be issued. No additional disclosures are considered necessary.

**TOWN OF SPRINGFIELD, LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION**

The following Budgetary Comparison Schedule - General Fund is required by GASB 34. The schedule presents the original adopted budget and final budget for the fiscal year and compares the final budget to actual operations of the Town.

State Law requires the Town to amend its budget when projected actual revenues and surplus is 5% below the adopted budget or when projected actual expenditures exceed 5% of the adopted budget. For the year ended June 30, 2012, actual revenues were 99.2% and actual expenditures were 96.7% of the final adopted budget.

**TOWN OF SPRINGFIELD, LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Amended Budget Positive (Negative)
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 318,000	\$ 299,000	\$ 296,618	\$ (2,382)
Intergovernmental	35,000	58,400	49,197	(9,203)
Fines and forfeitures	57,400	40,000	42,372	2,372
Licenses and permits	31,000	30,000	34,491	4,491
Miscellaneous	13,000	11,000	12,905	1,905
Cemetery income	3,600	4,200	1,600	(2,600)
Charges for services	3,600	3,600	4,551	951
Interest earned	-	-	793	793
Total Revenues	<u>461,600</u>	<u>446,200</u>	<u>442,527</u>	<u>(3,673)</u>
EXPENDITURES				
Current:				
General government	143,700	151,700	130,234	(21,466)
Police	167,300	172,500	188,901	16,401
Streets and drainage	40,400	36,600	46,697	10,097
Sanitation	57,000	57,000	57,850	850
Cemetery	3,600	7,200	10,808	3,608
Capital outlays:				
Streets and drainage	25,000	48,000	22,889	(25,111)
Total Expenditures	<u>437,000</u>	<u>473,000</u>	<u>457,379</u>	<u>(15,621)</u>
Excess Revenues (Expenditures)	<u>24,600</u>	<u>(26,800)</u>	<u>(14,852)</u>	<u>11,948</u>
Transfer to Sewer System	<u>(10,200)</u>	<u>(6,700)</u>	<u>(3,213)</u>	<u>3,487</u>
Net Change in Fund Balances	<u>14,400</u>	<u>(33,500)</u>	<u>(18,065)</u>	<u>15,435</u>
Fund Balances - Beginning	<u>209,567</u>	<u>209,567</u>	<u>209,567</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ 223,967</u></u>	<u><u>\$ 176,067</u></u>	<u><u>\$ 191,502</u></u>	<u><u>\$ 15,435</u></u>

**TOWN OF SPRINGFIELD, LOUISIANA
OTHER SUPPLEMENTAL INFORMATION REQUIRED
SCHEDULE OF SEWER USERS, RATES, AND INSURANCE COVERAGE**

Sewer Customers and Rates

At June 30, 2012, the Town billed the following number of customers:

<u>Rate Code/Description</u>	<u>Customers</u>	<u>Rate</u>
Residential	103	\$25.00 per month
Commercial	33	\$60.00 per month
Schools	2	\$300.00 per month
Apartments	1	\$475.00 per month

Aged Accounts Receivable

At June 30, 2012, the receivables due from customers are as follows:

	<u>0-30 Days</u>	<u>Over 30 Days</u>	<u>Total</u>
Total receivables	\$ 5,630	\$ 20,260	\$ 25,890
Allowance for uncollectible accounts	-	(17,523)	(17,523)
Net receivables	<u>\$ 5,630</u>	<u>\$ 2,737</u>	<u>\$ 8,367</u>

Insurance In Force

Issuer/Insurer	Type of Insurance	Limit Description	Coverage	Effective Dates
Louisiana Municipal Risk Management Agency	General Liability	Bodily injury and property damage Premises Operations Per occurrence	\$500,000	05/20/11 - 05/20/14
		Medical payments Per person Per accident	\$1,000 \$10,000	
		Fire Legal Liability Per occurrence	\$50,000	

**TOWN OF SPRINGFIELD, LOUISIANA
OTHER SUPPLEMENTAL INFORMATION REQUIRED (CONTINUED)
SCHEDULE OF SEWER USERS, RATES, AND INSURANCE COVERAGE**

Issuer/Insurer	Type of Insurance	Limit Description	Coverage	Effective Dates
	Errors and Omissions	\$1,000 deductible	\$500,000	
	Automobile	Bodily injury and property damage	\$500,000	
Employers Mutual Casualty Company	Property	Town Hall		03/07/12 - 03/07/13
		90% replacement cost Building	\$108,160	
		Personal Property	\$50,000	
		Treatment Plant Building 90% replacement cost	\$573,250	
		Pump Stations 90% replacement cost	\$309,555	

TOWN OF SPRINGFIELD, LOUISIANA
Board of Aldermen

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(225) 294-5491

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**The Honorable Charles Martin
and Members of the Town Council
Town of Springfield, Louisiana**

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Springfield, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Town of Springfield, Louisiana's basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Springfield, Louisiana is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Springfield, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Springfield, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2012-1 to 2012-3.

The Town of Springfield, Louisiana's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Town Council, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 21, 2012

Latuso & Johnson CPA, LLC

**TOWN OF SPRINGFIELD, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDIT RESULTS

- The auditors' report expresses an unqualified opinion on the basic financial statements of the Town of Springfield, Louisiana.
- Two instances of noncompliance were disclosed during the audit of the basic financial statements involving the Town's compliance with state or federal laws.
- One instance of noncompliance was noted during the audit of the basic financial statements involving compliance with the Town's federal loan program.
- The Town is obligated to the U.S. Department of Urban Development in the amount of \$1,403,339 as of June 30, 2012, under CFDA 10.770 Water and Waste Disposal Loans and Grants.
- No management letter was issued.

B. CURRENT YEAR FINDINGS

2012 – 1 Form 1099-MISC Requirement

Finding: The Town did not issue Form 1099-MISC to all individuals as required by the IRS.

Recommendation: Ensure that IRS 1099-MISC forms are issued to all individuals with reportable income (payments greater than \$600 made to individuals who provide a service relating to the Town's operations).

Response: Management concurs with the recommendation and will ensure that all 1099-MISC forms are properly filed for the current year.

2012 – 2 USDA Reporting

Finding: The Town is required by the USDA to report annually the aging of the Sewer Fund accounts receivable. Due to difficulties with the billing system, the Town's personnel failed to print the required report for June 2012 and were unable to retrieve the information.

Recommendation: The Town should prepare the aged accounts receivable report monthly. This report should be used to monitor the status of unpaid accounts.

Response: Management concurs with the recommendation.

**TOWN OF SPRINGFIELD, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012**

2012 – 3 Local Government Budget Act

Finding: The Town's budget was not in compliance with the Local Government Budget Act for the current year. Although we noted that the Town appropriately did not budget more expenditures than funds available, the budget presentation overall did not meet the stringent requirements of the Local Government Budget Act that became effective in 2011. The budget did not indicate the beginning fund balance, change in fund balance or ending fund balance. In addition, the budget did not include a clearly presented side-by-side comparison of actual receipts and expenditures versus budgeted receipts and expenditures. Finally, the budget for each fiscal year is required to be formally adopted before July 1st of that fiscal year.

Recommendation: We recommend the Town update its budget preparation method prior to the end of the 2012-2013 fiscal year. If necessary, the Town should seek outside assistance in the preparation of the budget.

Response: Management concurs with the recommendation and will seek assistance to ensure future compliance.

**TOWN OF SPRINGFIELD, LOUISIANA
RESOLUTION OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

The findings from the June 30, 2011, schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS

2011-1 Local Government Budget Act

Finding - Separate budgets were prepared for the General and Sewer Funds. The budget for the General Fund included sales tax revenues which belong to the Sewer Fund with a corresponding expense. In addition, the budget improperly included bank transfers within the General Fund. There was no effect to the changes in net assets.

Action Taken – The sewer revenues and expenses were appropriately excluded from the budget for the year ended June 30, 2012. We noted the Town did not meet all of the requirements of the Local Government Budget Act for the current year. Refer to finding 2012-3 for more information.

2011-2 Malfeasance

Finding – In July, 2011 the Mayor and Police Chief were charged with malfeasance in office, obstruction of justice and conspiracy to commit both. The charges resulted from the officials allegedly intervening and allegedly trying to influence a police officer to change a traffic violation. These charges had no impact on the Town's financial statements.

Action Taken – No new charges have been filed.

2011-3 USDA Reserve Requirement

Finding – The Town is required to make monthly deposits to a depreciation and contingency bank account. Upon approval, the account can be used to make extraordinary repairs and replacements. During the year ended June 30, 2011, \$5,000 was transferred out of the fund without approval from the USDA.

Action Taken – Since the finding was made, all transfers made from the depreciation and contingency account have been properly approved.